

LOUISIANA PROPERTY AND CASUALTY INSURANCE COMMISSION – MONTHLY REPORT

- ◆ *The Monthly Report* is the newsletter of the Louisiana Property and Casualty Insurance Commission Louisiana Department of Insurance 1702 N. Third Street P. O. Box 94214 Baton Rouge, LA 70804-9214 225.342.7187 (PH) 225.342.6057 (FAX)
- ◆ The Louisiana Property and Casualty Insurance Commission was created by the enactment of R.S. 22:15 in the 2001 Regular Session of the Louisiana Legislature to review and examine the availability and affordability of property and casualty insurance in the state of Louisiana. The Commission will also undertake a comprehensive study and provide oversight and enforcement recommendations of the effectiveness of law enforcement and implementation of programs aimed at enforcement throughout the state of those laws and programs which affect property and casualty insurance rates.

- ◆ *The Monthly Report* may be reprinted with prior permission.

LA PROPERTY & CASUALTY INSURANCE COMMISSION STAFF

Terrell B. Moss, Director
Joyce R. Paul, Assistant Director
David Evans, Supervisor/Research Analyst
Katie Walsh, Admin. Assistant/Research Analyst

This public document is published at a total cost of \$458.86. Two hundred eighty (280) copies of this public document were published in this first printing at a cost of \$13.26. The total cost of all printings of this document including reprints is \$458.86. This document was published by the Department of Insurance, P.O. Box 94214, Baton Rouge, LA 70804-9214, to provide information and analysis of property and casualty insurance under special exception by the Division of Administration. This material was printed in accordance with standards for printing by State Agencies established pursuant to R.S. 43:31.

LOUISIANA PROPERTY AND CASUALTY
INSURANCE COMMISSION
MONTHLY REPORT

www.ldi.state.la.us

Volume 9 — Issue 3 — March 2009

COMMISSIONER DONELON ENCOURAGES LOUISIANA RESIDENTS
TO CONSIDER PURCHASING FLOOD INSURANCE

Floods are consistently the most common, costly and deadly natural disaster Americans face each year – ninety percent of all natural disasters in the nation involve flooding and Louisiana residents cannot afford to ignore this threat. The beginning of Spring is a perfect time to consider local flood risks and learn important information about steps you can take to protect yourself and your family.

“Because homeowner policies in Louisiana do not provide coverage for damage due to floods, it is important to look into getting a separate flood insurance policy, no matter where you live in the state,” said Insurance Commissioner Jim Donelon. “All it takes is a few inches of water to cause major damage to your home and its contents.”

Many in Louisiana believe that flooding is localized to coastal areas and low lying areas designated as a ‘flood zone.’ However, there are many flood risks to consider including hurricanes, rapid accumulation of rainfall, overflowing rivers and lakes, broken levees, outdated or clogged drainage systems and building and development, which can change the natural drainage creating new flood risks.

Louisiana is no stranger to flooding. In August 2005, Hurricane Katrina caused a 15-20 foot storm surge which inundated the coast and, along with the failure and overtopping of levees, flooded 80 percent of New Orleans and damaged 275,000 homes. Katrina caused over \$100 billion in damage and took more than 1300 lives. However, Louisiana’s hurricane flood risk is not limited to the coastal regions. As hurricanes move inland and are downgraded to tropical storms, they create heavy rainfall which can cause flooding to many areas of the state.

Continued on next page

Flood Facts

- ◆ Floods and flash floods happen in all 50 states.
- ◆ Everyone lives in a flood zone.
- ◆ Most homeowners insurance does not cover flood damage.
- ◆ Flash floods often bring walls of water 10 to 20 feet high.
- ◆ A car can easily be carried away by just two feet of floodwater.
- ◆ 25% of flood insurance claims come from low-to-moderate risk areas.
- ◆ Floods are the #1 natural disaster in the United States.
- ◆ Your home has a 26% chance of being damaged by a flood during the course of a 30-year mortgage, compared to a 9% chance of fire.

Source: FloodSmart.gov (Official site of the National Flood Insurance Program)

Last spring Louisiana residents living along the Mississippi River had concerns over the river flooding its banks due to the spring snow thaw and heavy rains along the northern parts of the Mississippi River.

“Ask your insurance agent about purchasing a policy with the National Flood Insurance Program,” Donelon adds. “But don’t wait until a storm is coming to purchase flood insurance. It may take 30 days after purchase for a flood insurance policy to go into effect.”

In partnership with the National Oceanic and Atmospheric Administration, the National Flood Insurance Program has developed a web page featuring an interactive map depicting historical information about how floods have impacted millions of Americans in recent years. The site also provides tools and resources for understanding your risk and knowing what to do: before a flood, during a flood and after a flood. To learn more about flood safety awareness and to utilize these resources, visit www.FloodSmart.gov.

P&C COMMISSION MAKES RECOMMENDATIONS FOR 2009 LEGISLATIVE SESSION

On March 4, 2009, the Louisiana Property and Casualty Insurance Commission (LPCIC) invited leaders from Louisiana Citizens Property Insurance Corporation (Citizens), the Louisiana Highway Safety Commission (LHSC), the Governor’s Task Force on DWI-Vehicular Homicide, along with LPCIC members to offer legislative recommendations for consideration before the 2009 Regular Session of the Louisiana Legislature begins on April 27. The charge of the Commission is “to review and examine the availability and affordability of property and casualty insurance in the state” culminating in an annual report of its studies and legislative recommendations to the governor, the legislature and the commissioner of insurance. The Commission votes on “concepts” in order to formulate legislative recommendations for the LPCIC Annual Report.

John Wortman, CEO of Citizens, gave a status report of Citizens’ recent activities and operations. He said that 40,000 out of 170,000 policies have been taken out of Citizens’ business after two rounds of depopulation. This equates to about \$60 million in premiums and \$6 billion in total insured values. With this success, they hope to continue the program by adding a third round of depopulation before the 2009 hurricane season. Mr. Wortman said that Citizens has closed approximately 50,000 of the 51,000 Hurricane Gustav claims and more than 3,400 of the 3,600 Hurricane Ike claims from the 2008 hurricane season.

On Citizens’ legislative agenda, Mr. Wortman would like to simplify operations and save expense money by terminating the FAIR and Coastal Plans within Citizens. Another recommendation is to change current law relative to Citizens’ rate making to achieve rate stability in all areas of the state. Without objection, the Commission voted in support of Citizens’ legislative recommendation addressing their rate

Continued

methodology to eliminate statistical outliers, while keeping Citizens’ rates non-competitive with the private market. They were also in favor of Citizens’ suggestion to discontinue the FAIR and Coastal Plans, which consolidates all operations into Citizens.

Lieutenant Colonel John LeBlanc, Executive Director of the LHSC, presented information from a safety belt study in support of seat belt usage by all vehicle occupants. LTC LeBlanc gave details on the financial impact from occupants failing to wear safety belts. This study estimates that the cost to every licensed driver in Louisiana is \$333 a year. The Commission voted in support of the LHSC proposal to amend Louisiana’s current safety belt law (R.S. 32:295.1), requiring all occupants to be belted.

Murphy Painter, Chairman of the Governor’s DWI-Vehicular Homicide Task Force (Task Force), made recommendations that are being proposed by the Task Force to address some inadequacies in the state’s DWI laws. Their recommendations focus on incremental changes to Louisiana’s DWI laws, which move our state to a stricter form of enforcement in an effort to “keep people from drinking and driving.” A key proposal is to remove incentives for drunken-driving suspects who refuse breathalyzer tests by increasing penalties for those arrested on suspicion of driving while intoxicated. Also, restructuring the civil process for license suspension is a priority. Mr. Painter offered another recommendation that would change the law making it a criminal offense to drive when the operator’s driving privileges have been suspended or revoked due to a DWI or DWI-related matter. It was clarified that the district attorneys will retain some discretion for prosecuting cases based on circumstances of the DWI offense. The last proposal was to add the prescription drug Soma to the schedule of controlled dangerous substances because this drug is increasingly found in the blood alcohol test results of impaired drivers. Mr. Painter explained that the Task Force meets on April 13 and will be finalizing their recommendations for the proposed legislation for these statutory changes. After thorough discussion, the Commission voted to support the following concepts presented by the Governor’s DWI-Vehicular Homicide Task Force.

- (1) Amend R.S. 32:667(B)(2) to increase penalties for drivers who refuse to take a breathalyzer test.
- (2) Amend R.S. 32:667(B)(4) to increase penalties for drivers who refuse to take the breathalyzer test in cases involving fatality or serious bodily injury.
- (3) Amend R.S. 32:668 by deleting section (A)(6) and adding language that limits the pre-discovery method.
- (4) Enact R.S. 14:98.3, criminalizing operation of a motor vehicle while driving privileges are suspended.
- (5) Add Soma to the Controlled Dangerous Substance Act, Title 40.

Representative Nickie Monica brought two issues before the Commission for consideration. After discussion, the Commission adopted two additional legislative concepts: (1) repeal the direct action clause and (2) reduce the jury trial threshold from \$50,000 to \$10,000.

Senator Dan Morrish initiated a discussion that resulted in the Commission endorsing concepts relative to a named storm deductible savings account, direct tax credits and a seasonal hurricane deductible.

LOUISIANA PROPERTY AND CASUALTY INSURANCE COMMISSION MEMBERS

Commissioner Jim Donelon
Jeff Albright
Raymond J. Aleman, Sr.
Chris Broadwater
Lorrie K. Brouse
H. “Marc” Carter

Representative Page Cortez
Manuel DePascual
Theodore “Ted” Haik, Jr.
Senator Troy Hebert
Kay Hodges

Lt. Col. John A. LeBlanc
Rick McGimsey
Representative Nickie Monica
Senator Dan “Blade” Morrish
Earl Taylor
Aubrey T. Temple, Jr.